

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 NEA-10 ISO-00 IO-13 H-01 L-03 PRS-01
PA-01 SP-02 USIA-06 AID-05 EB-08 NSC-05 SS-15
STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
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R 080652Z AUG 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 3421
INFO AMEMBASSY DACCA

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USADB

FOR NAC AGENCIES

E.O. 11652: NA
TAGS: EAID, EFIN
SUBJECT: GREATER DACCA GAS DISTRIBUTION PROJECT (BANGLADESH)

1. IN DECEMBER 1975, ADB BOARD OF DIRECTORS APPROVED LOAN OF \$12.2 MILLION TO COVER \$7.7 MILLION FOREX COST AND \$4.5 MILLION PARTIAL LOCAL COST OF SUBJECT PROJECT FROM BANK'S SPECIAL FUNDS RESOURCES. PROJECT SCOPE INCLUDES EXPANSION OF GAS DISTRIBUTION FACILITIES IN AND AROUND DACCA AND REHABILITATION OF GAS PRODUCTION WELL AT TITAS GAS FIELD. EXECUTING AGENCY FOR EXPANSION OF GAS DISTRIBUTION FACILITIES, A MAJOR COMPONENT OF PROJECT IS TITAS GAS TRANSMISSION AND DISTRIBUTION COMPANY LTD. (TGTDC). CONTRACTING FOR MATERIALS AND EQUIPMENT NEEDED FOR TGTDC'S ANNUAL PROGRAM FOR LAYING OF DISTRIBUTION PIPES IS PROCEEDING SATISFACTORILY.

2. UNDER BANK LOAN, TGTDC WAS REQUIRED TO REDUCE ACCOUNTS RECEIVABLES TO LEVEL EQUIVALENT TO THREE MONTHS SALES BY
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SEPTEMBER 30, 1976. ACTUAL LEVEL STOOD AT 11.6 MONTHS OF SALES REVENUE AT THAT DATE. AGREED LEVEL WAS NOT ACCOMPLISHED UNTIL END-APRIL 1977 FOLLOWING DETAILED DISCUSSIONS BY BANK WITH GOVERNMENT.

3. LOAN DOCUMENT SPECIFIED THAT (A) TARIFFS BE INCREASED BY NOT LESS THAN 15 PERCENT BY DECEMBER 31, 1976;

AND (B) TARIFF RATES ESTABLISHED FROM JULY 1, 1977 ONWARD WOULD COVER ALL OPERATING EXPENSES, REPAYMENT OF DEBT AND PROVIDE 12 PERCENT RATE OF RETURN ON TOTAL ASSETS AND SELF-FINANCING RATION OF 20 PERCENT. TARIFF INCREASE SCHEDULED FOR DECEMBER 1976 HAS NOT BEEN IMPLEMENTED, BUT GOVERNMENT HAS INFORMED BANK THAT TARIFF REVISION PROPOSAL INVOLVING INCREASE HIGHER THAN 15 PERCENT IS BEING SUBMITTED TO CABINET FOR APPROVAL.

4. FOLLOWING BANK REVIEW MISSION LAST OCTOBER, GOVERNMENT IN JANUARY 1977 REQUESTED BANK TO APPROVE REVISION IN PROJECT SCOPE TO REALLOCATE \$270,000 OF FOREX LOAN PROCEEDS FROM \$1,700,000 UNALLOCATED PROVISION OF PROJECT RELATED TO EXPANSION OF GAS DISTRIBUTION FACILITIES. DETAILS WERE DISCUSSED FURTHER BETWEEN BANK STAFF AND GOVERNMENT OFFICIALS IN FEBRUARY/MAY 1977, LEADING TO FOLLOWING PROPOSAL:

(A) \$100,000 RECOMMENDED BY CONSULTANT SO TGTDC CAN UNDERTAKE A SYSTEMS SURVEY, UNDER GUIDANCE OF AN EXPATRIATE SPECIALIST, FROM WHICH NETWORK ANALYSIS COMPUTER PROGRAM CAN BE ESTABLISHED TO PROVIDE ECONOMIC AND SOUND ENGINEERING EXPANSION PLANS. CONSULTANTS FOR STUDY WILL BE RECRUITED IN ACCORDANCE WITH BANK'S GUIDELINES ON USE OF CONSULTANTS.

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(B) \$20,000 TO ESTABLISH A MECHANIZED ACCOUNTING SYSTEM AND PURCHASE A SUITABLE ACCOUNTING MACHINES.

(C) \$100,000 FOR PIPELING REHABILITATION TO COVER EXPENDITURES ON HIGH PRESSURE PIPELINE REPAIR MATERIAL AND EQUIPMENT, TRAINING OF TGTDC STAFF IN SPECIALIZED TECHNIQUES FOR USE OF EQUIPMENT, AND APPOINTMENT OF APPROPRIATE EXPATRIATE EXPERTS.

(D) \$50,000 FOR PURCHASE OF TEN FOUR-WHEEL DRIVE VEHICLES, IN ADDITION TO TEN PREVIOUSLY PURCHASED UNDER BANK FINANCING, AS PRESENT PIPELING OPERATIONS AND CONSTRUCTION WORK ARE STILL SEVERLY HAMPERED BY UNRELIABILITY OF VEHICLES. ADDITIONAL PROCUREMENT OF EQUIPMENT AND MATERIALS WILL BE MADE IN ACCORDANCE WITH BANK'S GUIDELINES OF PROCUREMENT.

5. IN ABSENCE OF OBJECTION OR REQUEST FOR DISCUSSION BY AUGUST 17, ADB PRESIDENT'S RECOMMENDATION THAT BOARD OF DIRECTORS APPROVE REVISED SCOPE OF PROJECT TO INCORPORATE ADDITIONAL PROCUREMENT AND SERVICES INDICATED IN PARA 4. ABOVE WILL BE DEEMED TO HAVE BEEN APPROVED. USADB DOES

NOT PLAN TO OBJECT, ALTHOUGH IF IT SEEMS APPROPRIATE
ON BASIS OF BOARD DISCUSSION, WE WILL EXPRESS CONCERN
ABOUT DELAY IN TGTDC'S MEETING BANK'S
PREVIOUS LOAN CONVENANTS.

6. ADB DOC. R76-77 ON ABOVE SUBJECT WAS POUCHED ADDRES-
SEES AUGUST 4.
EDMOND

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Message Attributes

Automatic Decaptioning: X
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Sent Date: 08-Aug-1977 12:00:00 am
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Disposition Approved on Date:
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Disposition History: n/a
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